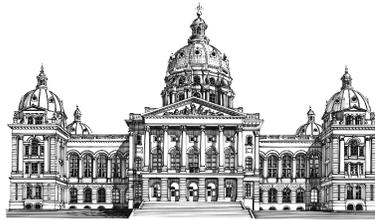


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Update on Trust Fund Transfer Status

ISSUE

The balances of several trust funds were transferred to the General Fund at the end of FY 1991 for a two-year period. During the 1993 Legislative Session, HF 669, Trust Funds Transfer Bill, made the transfer of fund balances permanent, but provided "fencing" language that requires receipts for the funds be used only for the purposes originally collected.

AFFECTED AGENCIES

Various

CODE AUTHORITY

House File 669 (Trust Funds Transfer Bill), enacted by the 1993 General Assembly

BACKGROUND

During the 1991 Legislative Session, the Governor proposed transferring the ending balances of 33 trust funds (estimated at \$30.7 million) by eliminating the trust fund status and depositing the receipts directly in the General Fund. The General Assembly approved HF 173, Deappropriations Bill, authorizing the transfer of FY 1991 ending balances of 27 trust funds into the General Fund. House File 173 also authorized the deposit of trust fund receipts into the General Fund for FY 1992 and FY 1993. The funds and the FY 1991 ending balances were to be restored at the end of FY 1993.

During the 1993 Legislative Session, HF 669 was approved making the transfer of the ending balances and deposit of receipts for the affected trust funds permanent. House File 669 also included "fencing" language that requires the receipts deposited relative to the affected funds be used only for the purposes collected. For example, all receipts that would have been deposited in the Credit Union Revolving Fund will be tracked separately and must be used or made available for appropriation to the Credit Union Division of the Department of Commerce.

During the 1994 Legislative Session, SF 2314, Agriculture and Natural Resources Appropriation Bill, required the Department of Revenue and Finance, in cooperation with each appropriate agency, to track receipts to the General Fund from former trust funds. During the 1995 Legislative

Session, HF 553, Agriculture and Natural Resources Appropriation Bill, contained the same requirement.

The purpose in making the trust fund transfers was to benefit the General Fund for cash flow availability. Although the trust fund amounts are segregated within the General Fund they are still available cash resources in the balance of the General Fund. One of the initial concerns with the original plan to transfer the trust fund balances was it would reduce efforts to move toward Generally Accepted Accounting Principles (GAAP). The "fencing" language in HF 669 alleviates this concern according to the Auditor of State and the Department of Revenue and Finance.

Another concern was raised by the Attorney General. In an opinion issued March 27, 1991, the Attorney General concluded that the statutes creating the five Department of Commerce funds and two of the agricultural funds (Pesticide and Fertilizer Trust Funds) contained language indicating legislative restriction on the use of those funds. The cost to repay the FY 1991 ending balances of these seven funds is \$5.4 million.

CURRENT SITUATION

The receipts that would have been deposited in the affected trust funds continue to be deposited in the General Fund as they have since the beginning of FY 1992. Attachment I illustrates the original ending balance estimates, actual balances transferred, actual receipts for each of the funds since FY 1992, and the amounts that have been appropriated from the General Fund for departments or programs originally funded by the trust funds. The benefit to the General Fund is illustrated in Table 1 below.

Table 1

	<u>Amount Appropriated</u>	<u>Amount Collected</u>	<u>Benefit to General Fund</u>
FY 1991 Ending Balances			\$22,842,336
FY 1992 Actual	\$37,069,797	\$39,243,341	\$2,173,544
FY 1993 Actual	\$37,125,339	\$41,274,015	\$4,148,676
FY 1994 Actual	\$35,199,672	\$44,814,308	\$9,614,636
FY 1995 Actual*	\$38,655,238	\$44,218,869	<u>\$5,563,631</u>
Total			<u>\$44,342,823</u>

*FY 1995 collections are actual to date; expenditures are not yet final.

ALTERNATIVES

- No action. The Legislature could choose to take no action and the affected trust fund receipts would continue to be deposited in the General Fund with the restriction that they be made available for appropriation for the purposes collected.
- Restore the Commerce, Fertilizer, and Pesticide Trust Funds. The cost to repay the FY 1991 ending balances of these funds is \$5.4 million. The total excess receipts over appropriations through estimated FY 1995, including the transferred FY 1991 ending balance, is \$29.5 million. The General Fund would also lose the ability to use the excess receipts over

appropriations for these funds for cash flow purposes. The excess is estimated to be \$8.8 million for FY 1995.

- Restore all the trust funds, but repay the balances only for the Commerce, Fertilizer, and Pesticide Funds, and require that funds with an excess of receipts over appropriations be required to make transfers to the General Fund. This has been done on occasion informally by the Department of Management. Certain funds, such as the Commerce funds, were required to make transfers annually. For example, the Banking Division was required to make a transfer of \$60,000 to the General Fund. Likewise, the Insurance Division had a formula designed to keep the amount necessary to fund the Division's appropriation in the trust fund and the remainder was transferred to the General Fund. Again, the cost to repay the balances for the seven funds would be \$5.4 million. However, the General Fund would retain the excess of receipts over expenditures estimated at \$8.8 million for FY 1995.

BUDGET IMPACT

The total benefit to the General Fund since the trust funds were transferred at the end of FY 1991 is \$44.3 million. See Table 1 and Attachment I for specific budget information by fund.

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STATUS OF TRANSFERRED TRUST FUNDS

	Original Transfer Estimate	Actual Amount Transferred	FY 1992 Final Appropriations After Reversions	FY 1992 Actual Collections	FY 1993 Final Appropriations After Reversions	FY 1993 Actual Collections	FY 1994 Final Appropriations After Reversions	FY 1994 Actual Collections	FY 1995 Appropriations Estimated	FY 1995 Actual Collections
Energy Research & Development Fund	\$ 590,000	\$ 490,000	\$ 143,843	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Pari-Mutuel Regulation Fund	370,000	270,911	1,500,859	842,081	1,225,560	729,393	1,516,879	780,041	1,493,784	1,814,671
Excursion Gambling Boat Revenue Fund	300,000	354,976	488,252	1,402,719	493,490	1,426,795	397,656	967,147	369,093	1,378,277
State Conservation Fund	0	0	0	0	0	0	0	0	0	0
Administration Fund	0	0	0	0	0	0	0	0	0	0
Public Outdoor Rec. & Resources Fund	0	0	0	0	0	0	0	0	0	0
Milk Fund	0	68,196	619,390	476,858	644,739	537,822	645,272	501,794	639,622	494,901
Dairy Trade Practices Trust Fund	70,000	67,859	43,601	74,938	46,150	69,339	46,926	73,262	71,334	70,387
Commercial Feed Fund	110,000	64,047	684,451	805,189	785,744	788,263	774,130	770,535	789,978	788,207
Fertilizer Fund	4,500	135,739	695,286	741,864	627,555	823,061	674,120	847,420	683,001	858,934
Pesticide Fund	470,000	580,581	1,093,408	1,203,533	1,226,297	1,287,078	1,199,920	1,454,735	1,220,353	850,141
Motor Vehicle Fraud Account	360,000	425,000	0	193,861	0	236,381	0	246,602	0	247,142
Salvage Vehicle Account	100,000	114,172	0	109,475	0	57,610	0	597,950	0	955,680
Marine Fuel Tax Fund	2,000,000	2,083,968	3,588,356	2,096,656	2,026,944	2,526,743	2,274,286	2,368,889	2,411,311	2,197,427
Special Railroad Facility Fund	4,500,000	4,258,072	NA	1,437,633	NA	1,008,454	NA	829,055	NA	809,014
State Aviation Fund	2,000,000	1,556,367	390,045	2,211,165	3,417,862	2,196,870	2,559,201	2,545,710	4,561,782	2,466,153
Railroad Assistance Fund	4,100,000	1,726,954	NA	147,730	NA	214,991	NA	344,991	NA	156,905
Rail and Aviation Projects	NA	NA	3,608,234 ^A	NA	1,973,553 ^B	NA	2,101,298	NA	3,774,704	NA
Security Deposit Account	1,500,000	1,428,142	368,277 ^D	408,441	NA	NA	NA	NA	NA	NA
GAAP Escrow Account	180,000	729,388	0	0	0	0	0	0	0	0
Utilities Trust Fund (includes Cons. Adv.)	490,000	2,341,202	6,110,328	5,416,897	6,390,761	4,813,072	6,968,770	6,964,763	6,276,444	7,234,865
Insurance Revolving Fund	130,000	847,689	3,922,217	7,679,090	4,387,505	9,035,938	1,870,329	8,884,323	1,701,452	8,704,815
Banking Revolving Fund	290,000	618,181	4,709,501	4,758,463	4,832,187	4,982,430	5,052,410	5,103,384	5,034,912	5,289,185
Credit Union Revolving Fund	180,000	211,506	820,733	924,883	833,014	903,463	970,826	985,692	955,236	1,026,421
Savings & Loan Revolving Fund	240,000	21,466	0	0	0	0	0	0	0	0
Professional Licensing Revolving Fund	480,000	619,381	747,249	1,234,485	750,473	1,168,594	816,585	1,186,291	820,006	1,189,230
Administrative Services Trust Fund	320,000	417,981	1,230,400	0	1,223,477	0	102,494	0	185,615	0
Public Transit Assistance Fund	2,100,000	2,716,192	5,957,095	4,409,621	5,994,213	6,721,910	6,960,353	7,264,224	7,666,611	7,686,514
Gambler's Assistance Fund (HF 479)	110,000	694,366	348,272	2,667,758	245,815	1,745,809	268,217	2,097,500	NA ^C	NA
Total	\$ 20,994,500	\$ 22,842,336	\$ 37,069,797	\$ 39,243,341	\$ 37,125,339	\$ 41,274,015	\$ 35,199,672	\$ 44,814,308	\$ 38,655,238	\$ 44,218,869

A - Appropriation includes funds for the Special Railroad Facility Fund, the State Aviation Fund for Projects, and the Railroad Assistance Fund.

B - Appropriation includes funds for the Special Railroad Facility Fund and the Railroad Assistance Fund.

C - A Gambler's Assistance Fund was established in FY 1995 encompassing the duties of the former trust fund.

D - The Security Deposit Account was re-established in FY 1992 and the transferred funds were restored to the account.

NOTE: The FY 1995 appropriations are estimated until the close of the fiscal year on September 30th and reversions occur.